

ORIGINAL

OPEN MEETING

MEMORANDUM



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Arizona Corporation Commission

DOCKETED

MAR 29 2013

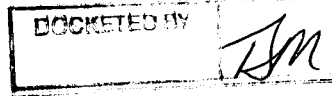
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TO: THE COMMISSION

FROM: Utilities Division

DATE: March 29, 2013



RE: TUCSON ELECTRIC POWER COMPANY - APPLICATION TO DEFER THE EFFECTIVE DATE OF THE PPFAC RATE ADJUSTMENT (DOCKET NOS. E-01933A-07-0402 AND E-01933A-05-0650)

Commission Decision No. 70628 (December 1, 2008) approved the creation of the Purchased Power and Fuel Adjustment Clause ("PPFAC") through which Tucson Electric Power Company ("TEP") recovers or refunds its purchased power and fuel expenses that differ from the amount being recovered in TEP's base rates. Decision No. 70628 provides for TEP to file the PPFAC rate for the upcoming year by October 31 of each year and an update to the filing by February 1 of the next year. The new PPFAC rate goes into effect on April 1, but only after Commission approval. The current PPFAC rate is \$0.007696 per kWh.

On October 31, 2012, TEP filed its Preliminary Calculation of the PPFAC Rate for the PPFAC year that runs from April 1, 2013, through March 31, 2014. The Preliminary Calculation indicated that the new PPFAC rate would probably be a reduction to the PPFAC rate.

On February 4, 2013, TEP, Staff, and several other parties entered into and docketed a Settlement Agreement to resolve issues in TEP's pending rate case (Docket No. E-01933A-12-0291). As part of the proposed Settlement Agreement, the parties agreed that the resetting of the PPFAC rate should be deferred from April 1, 2013 until the effective date of the new rates resulting from the rate case, in order to help offset the proposed general rate increase and to allow for some credits to be flowed through the PPFAC earlier than April of 2014.

On February 6, 2013, TEP filed its updated PPFAC schedules along with its application to defer the PPFAC rate adjustment. The updated schedules show the calculations that produce the PPFAC rate of negative \$0.001388 per kWh.¹ This is the rate agreed to in the proposed Settlement Agreement, and it is based on the rate going into effect on August 1, 2013.

¹ The PPFAC rate consists of a Forward Component Rate of negative \$0.001283 per kWh and a True-up Component Rate of negative \$0.000104 per kWh.

THE COMMISSION

March 29, 2013

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Staff recommends that TEP's new PPFAC rate go into effect concurrently with the effective date of new rates in the pending general rate case in Docket No. E-01933A-12-0291.

A handwritten signature in black ink, appearing to read "Steve M. Olea", with a long horizontal stroke extending to the right.

Steve M. Olea
Director
Utilities Division

SMO:BEK:sms/RRM

ORIGINATOR: Barbara Keene

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BEFORE THE ARIZONA CORPORATION COMMISSION

BOB STUMP
Chairman
GARY PIERCE
Commissioner
BRENDA BURNS
Commissioner
BOB BURNS
Commissioner
SUSAN BITTER SMITH
Commissioner

IN THE MATTER OF THE APPLICATION
OF TUCSON ELECTRIC POWER
COMPANY TO DEFER THE EFFECTIVE
DATE OF THE PPFAC RATE
ADJUSTMENT.

DOCKET NOS. E-01933A-05-0650
E-01933A-07-0402

DECISION NO. _____

ORDER

Open Meeting
Date to be Determined
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Tucson Electric Power Company ("TEP") is certificated to provide electric service as a public service corporation in the State of Arizona.

2. Commission Decision No. 70628 (December 1, 2008) approved the creation of the Purchased Power and Fuel Adjustment Clause ("PPFAC") through which TEP recovers or refunds its purchased power and fuel expenses that differ from the amount being recovered in TEP's base rates. Decision No. 70628 provides for TEP to file the PPFAC rate for the upcoming year by October 31 of each year and an update to the filing by February 1 of the next year. The new PPFAC rate goes into effect on April 1, but only after Commission approval. The current PPFAC rate is \$0.007696 per kWh.

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4. On February 4, 2013, TEP, Staff, and several other parties entered into and docketed a Settlement Agreement to resolve issues in TEP's pending rate case (Docket No. E-01933A-12-0291). As part of the proposed Settlement Agreement, the parties agreed that the resetting of the PPFAC rate should be deferred from April 1, 2013 until the effective date of the new rates resulting from the rate case, in order to help offset the proposed general rate increase and to allow for some credits to be flowed through the PPFAC earlier than April of 2014.

5. On February 6, 2013, TEP filed its updated PPFAC schedules along with its application to defer the PPFAC rate adjustment. The updated schedules show the calculations that produce the PPFAC rate of negative \$0.001388 per kWh.¹ This is the rate agreed to in the proposed Settlement Agreement, and it is based on the rate going into effect on August 1, 2013.

6. Staff has recommended that TEP's new PPFAC rate go into effect concurrently with the effective date of new rates in the pending general rate case in Docket No. E-01933A-12-0291.

CONCLUSIONS OF LAW

1. Tucson Electric Power Company is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona constitution.

2. The Commission has jurisdiction over Tucson Electric Power Company and over the subject matter of the application.

3. The Commission, having reviewed Tucson Electric Power Company's application and Staff's Memorandum dated March 29, 2013, concludes that it is in the public interest that Tucson Electric Power Company's new PPFAC rate be deferred.

1 The PPFA rate consists of a Forward Component Rate of negative \$0.001283 per kWh and a True-up Component Rate of negative \$0.000104 per kWh.

ORDER

IT IS THEREFORE ORDERED that Tucson Electric Power Company's new PPFAC rate shall go into effect concurrently with the effective date of new rates in the pending general rate case in Docket No. E-01933A-12-0291.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2013.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

SMO:BK:sms/RRM

SERVICE LIST FOR: Tucson Electric Power Company
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